

SS Hawaii

11/20/01

3 alt

① Mgmt Co

② Kiniishi Group

③ Unrelated 3rd party

Super charge 382 seed to FM.

Optin buy back only for 2 hotels  
+ golf course. No development  
property.

US sawg bid - \$50,000

GT009237

EXHIBIT

14

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Attorneys for Plaintiff  
and Third-Party Defendants  
the Sports Shinko Companies

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF HAWAII

SPORTS SHINKO CO., LTD.,	)	CV 04-00124 BMK
	)	CV 04-00127 BMK
Plaintiff,	)	CONSOLIDATED CASES
vs.	)	DECLARATION OF HOWARD
QK HOTEL, LLC, et al.,	)	HANADA; EXHIBITS
Defendants,	)	
and	)	
FRANKLIN K. MUKAI, et al.,	)	
Third-Party Plaintiffs,	)	
vs.	)	
SPORTS SHINKO (USA) CO., LTD., et al.,	)	

Third-Party Defendants, )  
and )  
SPORTS SHINKO (HAWAII) CO., LTD., et al., )  
Third-Party Defendants/ Counterclaimants, )  
vs. )  
QK HOTEL, LLC, et al., )  
Third-Party Counterclaim Defendants. )  
AND CONSOLIDATED CASES )  
\_\_\_\_\_  
)

#### DECLARATION OF HOWARD HANADA

1. I am a partner at the Honolulu office of Grant Thornton, LLP. Grant Thornton provided certain accounting and financial consulting services to Sports Shinko (Hawaii) Co., Ltd., its subsidiaries, and its affiliates during the time period relevant to the exhibits referenced in this declaration. I make this declaration based on personal knowledge, and I am competent to testify to the matters set forth below.

2. Attached as Exhibit "29" is a true and correct copy of a memorandum from me to the file dated November 19, 2001.

3. Attached as Exhibit <sup>"34"</sup> is a true and correct copy of an email from me to Alan Yee, a Grant Thornton accountant, dated November 29, 2001 and a copy of an email from Mr. Yee to me of the same date.

4. Attached as Exhibit "39" is a true and correct copy of an email from

Alan Yee to me dated December 22, 2007 attaching a copy of an email from Satoshi Kinoshita to Mr. Yee of the same date.

5. The foregoing documents were made at or near the time of the matters they reflect from information transmitted by persons with knowledge of those matters and were kept in the regular course of Grant Thornton's business activity. It was the regular practice of Grant Thornton to make and keep such documents and I am a custodian of such documents.

*I swear that the foregoing is true under penalties of perjury of the United States of America.*

EXECUTED: Honolulu, Hawai'i, January 10, 2008.

  
HOWARD HANADA

Grant Thornton

## Memorandum

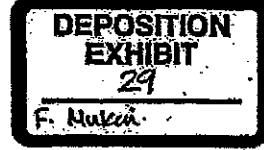
To: Files

cc:

From: H. Hanada

Date: November 19, 2001 (date of file)

Re: Sports Shinko (Hawaii) Co., Ltd. (SSH)



SSH, a Hawaii Corporation, is a wholly owned subsidiary of Sports Shinko (USA) Co. Ltd. (USA), a Delaware Corporation. USA is a wholly owned subsidiary of Sports Shinko Co., Ltd. (SS), a Japan corporation. SS is owned by Japanese nationals, collectively referred to as Kinoshita.

USA has other wholly owned subsidiaries, LaCosta group and Florida group. In August, Florida entered into an agreement to sell its property. In November, the La Costa resort property was sold.

SSH has a number of subsidiaries:

- Sports Shinko (Mililani) Co., Ltd. owns the Mililani Golf Club
- Sports Shinko (Kauai) Co., Ltd. owns the Kiahuna Golf Club and development real estate surrounding the course
- Sports Shinko (Pukalani) Co., Ltd. owns the Pukalani Golf Club and development real estate surrounding the course
- Pukalani STP Co., Ltd. owns the wastewater treatment facility servicing the Pukalani area
- Sports Shinko Resort Hotel Corp is a holding company consisting of subsidiaries, Sports Shinko Waikiki Corporation and Ocean Resort Hotel Corp
  - Ocean Resort Hotel Corp owned the Diamond Head Beach Hotel which was sold in the first quarter of 2001
  - Sports Shinko Waikiki owns the Queen Kapiolani Hotel, Ocean Resort Hotel Waikiki, and the Cartwright building adjacent to QK.

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The latest consolidated information is as of December 31, 2000. At December 31, 2000, SSH through its subsidiaries had a significant amount of receivables due from and payables due to its affiliates: SSJ, USA, and La Costa. (See accompanying schedule).

As a result of the sale of the La Costa property, it is reasonable to expect that the notes and accrued interest receivable from La Costa may not be collectible.

All of the significant properties currently held by SSH's subsidiaries were acquired from 1986 through 1990. Accordingly, it is not unreasonable to expect the market values of the properties may have decreased from their date of acquisition. No current appraisals are available although market data may be available for certain of the properties.

Presently, Kinoshita desires to acquire the interest in the either SSH or its properties. Kinoshita will be establishing a new Hawaii corporation to do so.

We have been tasked to develop different alternatives. For example:

- Should the receivable from La Costa be written off? Or
- Should La Costa's payable to SSH be assumed by USA and subsequently offset against SSH's payable to USA? Or
- Should the amounts due USA and SSJ be capitalized before SSH is acquired?
- What are the implications if the debt restructure follows the acquisition of SSH by SSNew? That is, SSH is not in the chain of SSJ and USA?
- If SSNew acquires SSH's assets at FMV (which may be less than BV), could SSH recognize a loss on the transaction (given related party)?
- Should a formal appraisal be obtained? Not only to establish FMV but also to be able to allocate the acquisition price to the various assets (components acquired)?
- Would SSNew be able to use its acquisition price on a carryforward basis or would it have to use SSH's basis?

Based on telecon with Frank Mukai, Kinoshita wants to move on this ASAP and Frank asked for some preliminary thoughts early this coming week.

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**Re: Hanada, Howard**  
From: Yee, Alan  
Sent: Thursday, November 29, 2001 17:39  
To: Hanada, Howard  
Subject: RE: SSH

Howard-I did do research on what the IRS would accept as FMV short of doing an appraisal. Rejected offers by the seller alone is not good enough since presumably they feel its worth more and they are holding out for a higher offer. This is substantiated by the fact that the list price is generally higher and I think Satoshi is going to provide us with this. Once we get the list price, FMV is somewhere in between and this is where if Colliers can provide us with other supporting data, we could probably determine a reasonable value. The FMV issue is greater if SSH is sold to a Kinoshita group since related as opposed to an unrelated third party. The one thing I was curious about is if Frank finds a unrelated buyer, do they owe Colliers a commission.

Alan

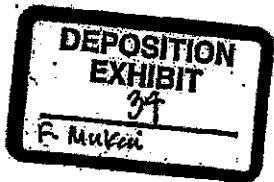
-----Original Message-----

From: Hanada, Howard  
Sent: Thursday, November 29, 2001 2:15 PM  
To: A Yee (E-mail)  
Subject: SSH

Based on the information provided by client, what do you think of the following FMVs?

- Millani Golf Course: \$8M
- Pukalani (all property): \$8M
- Kiahuna (all property): \$7.5M
- Ocean Resort Hotel: \$8M (lease hold property)

All of the proposals are post September 11



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Hanada, Howard

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**From:** Yee, Alan  
**Sent:** Saturday, December 22, 2001 12:38  
**To:** Hanada, Howard  
**Subject:** FW: 5 year Projection

I think he's missing the assumptions in part since our analysis does not include value of non-operating assets and I think the \$22 million is the offer for the 3 golf courses only. Also our analysis for the 3 courses were lower in total. Comments?

-----Original Message-----

**From:** Satoshi Kinoshita [mailto:satoshi@sportsshinkohawaii.com]  
**Sent:** Saturday, December 22, 2001 10:20 AM  
**To:** ayeet@gt.com  
**Cc:** fmukai@m4law.com  
**Subject:** 5 year Projection

December 22, 2001

Dear Mr. Alan Yee:

I wish to thank you for your support to Sports Shinko.  
I receive your valuation based on 5 year projection.  
Based on each manager's projection, value of properties are too high for any potential buyer.  
I am wondering if you spare your busy time to explain whether gap between current offer of 22 million dollars and this 5 year projection.  
Since current prime rate of Bank is 4.5%, the 22 million dollar buyer apply either very high discount rate around 20% and higher, or apply much lower stream of income and profits.  
Buyer might apply current operational condition after September 11th.  
Please let me know your thoughts and comments.

I received Tax return form 1120 for both 1999 and 2000 from Grant Thornton Vienna Office.  
Please let me know if you still need these documents.

Very truly yours,  
Satoshi Kinoshita

\*\*\*\*\*  
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2/26/2005